

**AR10**

**Kerr Addison Mines Limited**



**Annual Report 1974**

# Kerr Addison Mines Limited



## DIRECTORS:

Allan Findlay, Q.C.  
Partner  
Tilley, Carson & Findlay

J. O. Hinds  
Executive Assistant to the President  
Noranda Mines Limited

William James  
President  
Kerr Addison Mines Limited

D. G. Neelands  
Chairman & Chief Executive Officer  
Canada Permanent Mortgage Corporation

J. P. W. Ostiguy  
President & Chief Executive Officer  
Crang & Ostiguy, Inc.

Alfred Powis  
President & Chief Executive Officer  
Noranda Mines Limited

W. H. Rea  
Chairman of the Board  
Great Canadian Oil Sands Limited

W. S. Row  
Chairman of the Board  
Noranda Mines Limited

M. D. Rowswell  
Executive Vice-President  
Kerr Addison Mines Limited

D. E. G. Schmitt  
Vice-President — Mines  
Noranda Mines Limited

## OFFICERS:

W. S. Row, Chairman of the Board  
William James, President

M. D. Rowswell, Executive Vice-President

I. D. Bayer, Treasurer

G. M. Hogg, Vice-President — Exploration

S. Pataran, Manager of Operations

J. B. Sage, Secretary

## OPERATIONS:

The Kerr Addison Mine  
W. G. Hargrave, Manager

The Normetal Mine  
R. J. Allen, Manager

Joutel Copper Mines Limited  
J. D. Wotton, General Superintendent

Blue Hill Joint Venture  
G. M. Deutman, Manager

## HEAD OFFICE AND EXPLORATION OFFICE:

P.O. Box 91, Commerce Court West  
Toronto, Ontario. M5L 1C7

## TRANSFER AGENTS AND REGISTRARS:

Canada Permanent Trust Company  
20 Eglinton Avenue West  
Toronto, Ontario

Registrar & Transfer Company  
140 Cedar Street  
New York, New York

Registrar & Transfer Company  
34 Exchange Place  
Jersey City 2, N.J.

## AUDITORS:

Clarkson, Gordon & Co., P.O. Box 251  
Toronto-Dominion Centre  
Toronto, Ontario

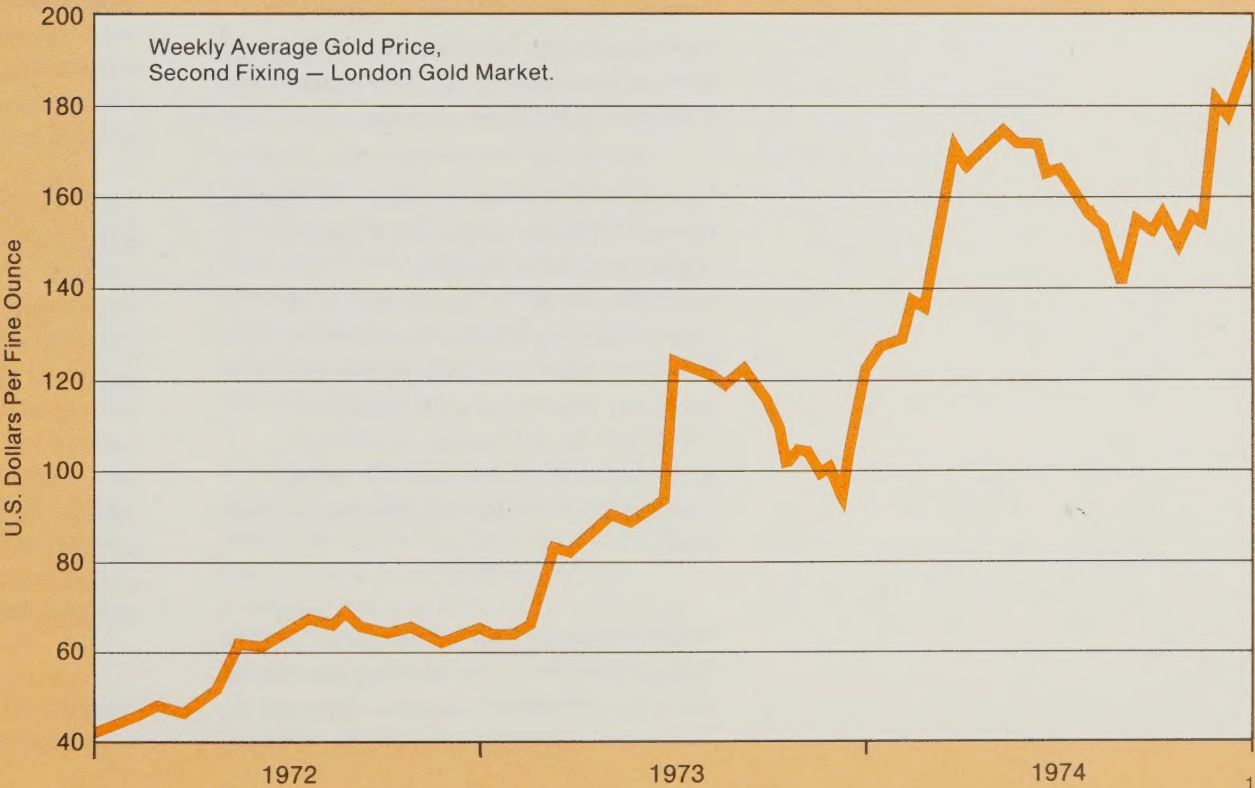
## ANNUAL AND GENERAL MEETING OF SHAREHOLDERS:

Monday, April 21, 1975, 12:00 noon  
at Hampton Court  
King Edward Sheraton Hotel  
Toronto, Ontario

Financial  
Summary:

	1974	1973	1972	1971	1970
<b>Millions of Dollars</b>					
Production revenue	\$37.0	\$32.7	\$21.7	\$22.4	\$26.2
Investment income	5.7	3.9	3.0	3.0	3.0
Income and mining taxes	7.9	4.5	1.9	1.8	1.9
Net income	15.3	9.9	5.9	6.1	7.2
<b>Dollars Per Share</b>					
Net income	\$ 1.61	\$ 1.04	\$ .62	\$ .64	\$ .75
Income and mining taxes	.83	.47	.20	.19	.20
Dividends declared	.70	.60	.50	.45	.56
Net value of current assets and investments at market	9.06	12.74	10.38	8.70	7.90

The Gold  
Picture:



## Directors' Report to the Shareholders

Earnings for the year were \$15.3 million or \$1.61 per share compared with \$9.9 million or \$1.04 per share in 1973. This increase is primarily due to a gain of \$3 million from a transfer of interest in the Fernandez Joint Venture, \$0.5 million on the sale of 22% interest in the National Zinc refinery in Bartlesville, Oklahoma, and a \$1.8 million increase in investment income. The revenue from the higher price for gold offset increased costs and lower production levels at all operations. Dividends declared during the year amounted to 70 cents per share. Due to the sharp decline in equity markets, the net value of current assets and investments at market value was \$86 million or \$9.06 per share at December 31, 1974, compared with \$122 million or \$12.74 per share a year earlier.

The free-market price for gold in 1974 ranged between \$116 per ounce and \$195 per ounce and at year-end was approximately \$175. The average price received by Kerr Addison was \$160 (U.S.). During the year, the Kerr Addison mine produced 109,000 ounces, down from 127,000 in 1973. Reserves at year-end amounted to about 730,000 ounces as compared with 723,000 ounces the previous year.

Higher copper and zinc prices contributed to the extended life of the Normetal and Joutel mines in northwestern Quebec. Reserves at Normetal are believed adequate to continue

operations until some time in the second quarter. If the zinc price is maintained, the Joutel mine will be able to operate until the fourth quarter of 1975. The expansion of the Canadian Electrolytic Zinc reduction plant, in which Kerr Addison has a 9.8% interest, is somewhat behind schedule and over budget. Start-up is now planned for September of this year at a total capital cost of \$56.4 million.

During the year, the Company purchased an additional 10% of Agnew Lake Mines Limited to increase its equity interest to 90%. The test programme for the extraction of uranium by solutions was initiated during the year and is expected to be completed within two years. The total cost of the programme is estimated to be \$3 million.

Kerr Addison holds a 60% interest in the Grum deposit located near Faro in the Yukon Territory. During the year, 48 diamond drill holes totalling 57,500 feet were completed. This drilling has indicated the possibility of a significant tonnage of zinc-lead mineralization but, because of irregularities in many of the sections, it is not possible at this time to attribute grade and tonnage to the reserves with a reasonable degree of certainty. An underground exploration programme will be required to determine the viability of this deposit.

An extensive exploration programme was conducted across Canada and in the United



States. Gold, uranium and base metals were the primary targets, and expenditures for the year amounted to \$1.8 million.

During the year, several of the provinces substantially changed their mining taxes to the detriment of the industry. British Columbia has introduced a royalty and super-royalty; Saskatchewan has implemented a potash reserve tax; Manitoba has initiated a temporary increase in mining taxes to 23% pending further legislation early this year; Ontario has introduced a graduated mining tax to 40%, and Quebec has increased its graduated mining tax up to 30% from 15%. As announced in the federal budget of November 16, 1974, these provincial mining taxes and royalties, etc., are now disallowed as a deduction in the calculation of federal income tax. To the industry, the net result of these changes is substantially reduced profits and a significant loss of incentive to explore in some provinces. In anticipation of these tax measures, there has already been a sharp decline in exploration expenditures in Canada in the past few years.

Gold and base metals are internationally marketed commodities, and Canadian mines must compete with those in countries where labour rates are significantly lower. To date we have been successful for several reasons. Canada has a favourable geological environment, a capital intensive industry, a productive labour force, technical expertise and, until recently, good cooperation

between the mining industry and the federal and provincial governments. These factors have, over the years, attracted resourceful people and risk capital to develop the Canadian mining industry to its present stature where Canada ranks third in the world in overall production and first on a per capita basis. The pragmatic test of Canadian entrepreneurial skills and efficient productivity is that we have profitably opened and operated some of the lowest grade mines in the world. Mining is one of the few industries in which Canadians are competitive on an international basis.

Mining provides 25% of our exports, directly and indirectly employs 11% of our labour force, consumes \$2.3 billion in secondary products, and accounts for 60% of the tonnage carried by Canadian railroads. Historically, the return on investment has not been significantly greater than that of other Canadian industries, and does not warrant punitive taxation. We believe we should be taxed at a rate no greater or lesser than other Canadian industries.

If the mining industry is to remain a strong contributor to the Canadian economy, the federal-provincial fight over the mining tax take will have to be resolved and the prohibitive taxes of some of the provinces must be reduced. Penalizing industries that do well in a competitive international market will not result in upgrading those that are not competitive on the world scene.

## Directors' Report to the Shareholders (continued)

During 1974, Kerr maintained its strong financial position as well as its gold reserves. Although ore reserves at the Normetal and Joutel base metal mines appear to be nearly exhausted, the Agnew Lake and Grum projects, mentioned above, appear to have the potential of becoming profitable mines. Earnings in 1975 will be largely dependent on the price of gold and income from our investment portfolio.

It is with sincere regret that your directors have accepted the resignations from the Board of Mr. R. V. Porritt, effective July 31, 1974, and of Mr. W. Dent Smith, effective February 13, 1975. Mr. Porritt had been a director of the Company for more than ten years, since the amalgamation in November, 1963 with Anglo Huronian, Limited, of which Mr. Porritt had been President. He was also a member of the Company's Executive Committee and Investment Committee. Mr. Smith had been a director of Kerr Addison since April, 1951, and was a member of the

Investment Committee. Their contributions and guidance over the years have been greatly appreciated and will be truly missed. Mr. M. D. Rowsell, formerly Vice-President and General Manager of the Company, was appointed a Director and Executive Vice-President on July 31, 1974.

Your directors also wish to express their sincere appreciation of the results accomplished by the management and employees of all divisions of the Company during the past year.

On behalf of the Board,

W. S. Row  
Chairman

William James  
President

Toronto, Canada

February 13, 1975



## Report on Operations

TO THE PRESIDENT AND DIRECTORS:

The following report reviews the operations of the producing and developing mines as well as the exploration efforts of the Company.

### KERR ADDISON MINE

#### Production:

During the year, 277,000 tons of ore, being a daily average of 760 tons, were milled at an average grade of 0.40 ounces per ton to produce 108,820 ounces of gold at a value of \$17.7 million.

The lower tonnage milled in 1974, as compared to 812 tons per day in 1973, was due to manpower shortages, while the lower grade in 1974, as compared to 0.44 ounces per ton in 1973, was the result of lowering the mining cut-off grade as gold prices increased.

Square set mining methods remain predominant at the property, due to the difficult rock conditions, accounting for 92.4% of the tonnage produced. Efforts to develop mining methods to increase productivity are severely handicapped by the necessity to maintain a strict step mining sequence to the ore boundaries in order to control hanging and footwall rock conditions.

High gold prices allow the reinstatement to ore reserves of 485,000 tons grading 0.23 ounces per ton.

#### Ore Reserves:

Mineable ore reserves, including an allowance for dilution, are estimated as follows:

	<u>Tons</u>	<u>Ounces of Gold Per Ton</u>
Total Reserves at December 31, 1973	1,351,000	0.54
Total Reserves at December 31, 1974	1,559,000	0.47

### NORMETAL MINE

#### Production:

The concentrator treated 250,500 tons of ore averaging 0.92% copper, 4.58% zinc, 0.016 ounces of gold and 1.1 ounces of silver per ton, resulting in the production of 2,111 tons of copper, 9,661 tons of zinc, 1,700 ounces of gold and 142,000 ounces of silver in concentrates. In addition, 42,000 tons of pyrite concentrate was produced.

The concentrator was placed on a five day per week schedule in May as mine production decreased due to the lower number of working stopes.

The mine operated throughout 1974 as a result of higher metal prices and the continued efforts of those at the property to hold down increasing unit costs. Providing these conditions are maintained, production will continue throughout the early months of 1975.

#### Ore Reserves:

Mineable ore reserves, including an allowance for dilution, are estimated as follows:

	<u>Tons</u>	<u>Grade % Copper</u>	<u>Zinc</u>
Total Ore Reserves at December 31, 1973	186,000	1.32	4.09
Total Ore Reserves at December 31, 1974	104,000	0.79	5.30

### JOUTEL COPPER MINES LIMITED

#### Production:

Production of 101,400 tons of zinc ore averaging 6.8% and 58,300 tons of copper ore averaging 1.8% was substantially lower than that of 1973. This was due to the limited number of stopes from

which to produce copper ore and the time required to develop a broken reserve in ore which had been outlined late in 1973.

Metal produced in concentrates amounted to 922 tons of copper and 5,186 tons of zinc. Recovery of zinc from the ore remains low, in the 80% range, because the lower grade of ore contains 65% to 85% pyrite.

#### Ore Reserves:

Mineable ore reserves, including an allowance for dilution, are estimated as follows:

	<u>Tons</u>	<u>Grade % Copper</u>	<u>Zinc</u>
Total Ore Reserves at December 31, 1973			
Copper	74,000	2.4	
Zinc	200,000		7.9
Total Ore Reserves at December 31, 1974			
Copper	41,000	2.4	
Zinc	117,000		7.9

The ore reserves as outlined are marginally economic in terms of present zinc and copper metal prices.

Kerr Addison holds a 63% interest in Joutel.

### BLUE HILL JOINT VENTURE

#### Production:

The concentrator treated 206,400 tons of ore at an average grade of 6.44% zinc and 0.89% copper to yield 11,521 tons of zinc and 1,293 tons of copper in concentrates.

During the year the L.S.P. and Mammoth copper zones were developed, thereby increasing copper output.

## Report on Operations (continued)

Mine operating costs increased substantially during the year because of rampant inflation. An example is power costs, which rose from a monthly billing of \$6,100 in January to \$18,500 in December, without increasing load or consumption, due to fuel surcharges passed on by the electrical utilities.

Ore reserves did not decrease by the tonnage extracted, as mining was carried on in some areas previously deleted from reserves.

### Ore Reserves:

Mineable ore reserves, including an allowance for dilution, are estimated as follows:

	Tons	Grade %	
		Copper	Zinc
Mineable ore reserves at December 31, 1973	742,000	1.70	5.68
Mineable ore reserves at December 31, 1974	701,000	1.59	5.31

Surface diamond drilling continued throughout the year on the Carlton zone which is south and west of the present mining area. No reserves will be included for this zone unless a sufficient tonnage of ore is outlined.

Kerr Addison holds a 60% interest in this Joint Venture.

### ICON-SULLIVAN JOINT VENTURE

During the year 199,500 tons of ore averaging 3.05% copper were treated at the mill of Canadian Merrill Ltd. to produce 5,883 tons of copper in concentrates.

Ore reserves at the property were virtually exhausted at year-end.

Kerr Addison holds a 21.4% interest in this Joint Venture.

### BOUZAN JOINT VENTURE

Production at the property was 15,500 tons averaging 1.72% copper and 0.02 ounces of gold. Labour problems and a high development requirement have been responsible for the low production.

Mineable ore reserves at December 31, 1974 were estimated to be 222,000 tons averaging 1.8% copper and 0.02 ounces of gold.

Kerr Addison has a 50% interest in this Joint Venture.

### AGNEW LAKE MINES LIMITED

Early in the year, Agnew Lake Mines Limited completed a comparative study of Capital and Operating Costs of a conventional mining and milling operation versus a solution method of recovering uranium from surface ore piles and broken ore in underground stopes. This study indicated that uranium can be produced from solution mining techniques at lower capital and operating costs. As well, research programmes carried out during 1969 to 1971 indicated that uranium can be extracted from the ores by this method. Solution mining is also currently in use in France and Africa.

In order to test this method further, a larger scale test is underway to leach uranium from 200,000 tons of rock on surface and in an underground stope at Agnew Lake. The programme is budgeted for \$3.0 million over a two-year period.

Rehabilitation of the surface plant and dewatering of the mine commenced in July and was completed by October. The water level in the mine was lowered to the 1750 level, thereby making available the loading pocket at the 1630 level for ore handling from the 900 level where the trial stope is located. It is estimated that leaching will commence in the first half of 1975.

### EXPLORATION

Diamond drilling in the Vangorda Creek area of the Yukon by Kerr Addison and AEX Minerals Corporation has indicated significant zinc, lead and silver mineralization. During 1974, forty-eight diamond drill holes totalling 57,500 feet were completed in an area 4,500 feet long by 1,600 feet wide. Twenty-nine holes were concentrated in a length of 2,000 feet generally on a pattern of 400 feet by 200 feet. The mineralization appears to have continuity in longitudinal section but is irregular in cross-section. The remaining nineteen drill holes intersected mineralization of similar character but somewhat lower grade and are too widely spaced to be interpretive. Further surface diamond drilling and an underground exploration programme is required to properly assess the presently indicated mineralization.

Kerr Addison continues to follow a strong exploration policy for gold, base metals and uranium in the northern territories and eastern provinces of Canada and in the United States.

Respectfully submitted,

M. D. Rowsell,  
Executive Vice-President.

Toronto, Canada,  
February 7th, 1975.



## Consolidated Statement of Operations

For the year ended  
December 31, 1974  
(with comparative  
figures for 1973)

	1974	1973
<b>Mine operations:</b>		
Value of production (note 1(c))	\$36,994,070	\$32,734,136
Cost of metal production	20,686,047	17,377,409
	16,308,023	15,356,727
Dividends and interest income on marketable securities, investments in other mining companies and short-term commercial notes	5,651,183	3,876,910
	21,959,206	19,233,637
<b>Deduct:</b>		
Administrative and general expenses	595,926	554,281
Outside exploration expenses	1,775,567	1,559,664
Depreciation and depletion (note 1(d))	1,840,501	2,439,526
Income and mining taxes (note 1(f))	5,826,349	4,481,640
	10,038,343	9,035,111
<b>Profit before the following</b>	11,920,863	10,198,526
Add (deduct):		
Gain (loss) on sale of investments and fixed assets (net of income taxes 1974 — \$230,000; 1973 — \$11,000)	528,740	(51,103)
Gain on transfer of interest in the Fernandez Joint Venture uranium reserves (net of income taxes of \$1,873,000) (note 6)	3,025,662	
Earnings before minority interest	15,475,265	10,147,423
Minority interest in profit of subsidiary company	141,806	271,327
<b>Net income for the year</b>	\$15,333,459	\$ 9,876,096
<b>Net income per share</b>	\$1.61	\$1.04

(See accompanying notes to consolidated financial statements)

**Kerr  
Addison  
Mines  
Limited**

(Incorporated under the laws of Ontario)  
and its subsidiaries

**Consolidated  
Balance Sheet**

December 31, 1974  
(with comparative figures at  
December 31, 1973)

<b>Assets</b>	<b>1974</b>	<b>1973</b>
<b>Current:</b>		
Cash and short-term commercial notes	\$10,202,585	\$ 8,127,731
Marketable securities, at cost (quoted market value 1974 — \$13,334,000; 1973 — \$17,321,000)	13,302,290	12,354,305
Concentrates, bullion and metals awaiting settlement, in transit and on hand (note 1(c))	9,381,321	11,090,026
Accounts and interest receivable	1,398,636	769,923
Supplies and materials, at cost	1,434,640	968,299
Prepaid expenses	146,492	162,447
Total current assets	35,865,964	33,472,731
<b>Investments:</b>		
Other mining companies (note 2)	30,722,436	30,533,256
Sundry, at cost	1,000,837	1,154,417
	31,723,273	31,687,673
<b>Fixed (note 1(d)):</b>		
Property, plant and equipment, at cost	38,593,795	34,784,388
Less accumulated depreciation and depletion	29,979,652	28,315,076
	8,614,143	6,469,312
<b>Other:</b>		
Agnew Lake property (note 3)	16,709,737	15,014,550
Deferred exploration expenditures (note 1(e))	1,544,435	2,161,837
	18,254,172	17,176,387
	\$94,457,552	\$88,806,103

(See accompanying notes to consolidated financial statements)

**Liabilities**

1974

1973

<b>Current:</b>		
Accounts payable and accrued charges	\$ 2,976,553	\$ 7,479,735
Income and mining taxes payable	825,829	2,764,041
Total current liabilities	3,802,382	10,243,776
<b>Long-term debt (note 4)</b>	3,840,000	3,630,000
<b>Deferred income taxes (note 1(f))</b>	3,652,522	469,200
<b>Minority interest in subsidiaries</b>	1,142,299	1,105,493
<b>Shareholders' equity:</b>		
Capital stock (note 5)	41,468,560	41,464,490
Earned surplus	40,551,789	31,893,144
	82,020,349	73,357,634
	\$94,457,522	\$88,806,103

On behalf of the Board:

W. S. ROW, Director

WILLIAM JAMES, Director

**Auditors' Report**

To the Shareholders of Kerr Addison Mines Limited:

We have examined the consolidated balance sheet of Kerr Addison Mines Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of operations, earned surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Kerr Addison Mines Limited and its subsidiaries as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

Clarkson, Gordon & Co., Chartered Accountants  
Toronto, Canada, February 4, 1975.

## Consolidated Statement of Earned Surplus

For the year ended  
December 31, 1974  
(with comparative  
figures for 1973)

	1974	1973
<b>Balance, beginning of year</b>	\$31,893,144	\$27,737,867
Add net income for the year	15,333,459	9,876,096
	47,226,603	37,613,963
<b>Deduct dividends (note 5)</b>	6,674,814	5,720,819
<b>Balance, end of year</b>	<u>\$40,551,789</u>	<u>\$31,893,144</u>

## Consolidated Statement of Changes in Financial Position

For the year ended  
December 31, 1974  
(with comparative  
figures for 1973)

	1974	1973
<b>Source of funds:</b>		
From operations — Net income for the year	\$15,333,459	\$ 9,876,096
Depreciation and depletion (note 1(d))	1,840,501	2,439,526
Increase in deferred income taxes (note 1(f))	3,183,322	182,700
Minority interest in profit of subsidiary	141,806	271,327
	20,499,088	12,769,649
Decrease in sundry investments	153,580	34,229
Recovery of deferred exploration expenditures (note 6)	846,038	
Issue of shares for cash (note 5)	4,070	4,068
Increase in deferred interest on long-term debt (note 4)	210,000	210,000
	<u>21,712,776</u>	<u>13,017,946</u>
<b>Application of funds:</b>		
Increase in property, plant and equipment (net)	3,985,332	869,619
Investment in mining companies	189,180	
Deferred exploration expenditures	228,636	213,915
Expenditures on Agnew Lake property (net) (note 3)	1,300,187	217,867
Acquisition of additional 10% share interest in Agnew Lake Mines Limited (note 3)	500,000	
Dividends (note 5)	6,674,814	5,720,819
	<u>12,878,149</u>	<u>7,022,220</u>
<b>Increase in working capital</b>	8,834,627	5,995,726
<b>Working capital, beginning of year</b>	23,228,955	17,233,229
<b>Working capital, end of year</b>	<u>\$32,063,582</u>	<u>\$23,228,955</u>

(See accompanying notes to consolidated financial statements)



## Notes to Consolidated Financial Statements

December 31, 1974

### 1. Summary of significant accounting policies

#### (a) Basis of presentation of financial statements —

The accompanying financial statements include, on a consolidated basis, the accounts of Kerr Addison Mines Limited and its wholly-owned subsidiaries, Normetal Mines Limited, Quemont Mines Limited, Keradamex, Inc., and Kerramerican, Inc., and its partially-owned subsidiaries, Agnew Lake Mines Limited (90% owned), Joutel Copper Mines Limited (63.3% owned), and Vangorda Mines Limited (69% owned). The Blue Hill and Icon Sullivan joint ventures are included in the consolidated accounts on the basis of the company's proportionate share of the assets, liabilities, revenues and expenses relating thereto.

#### (b) Translation of foreign currencies —

The accounts of U.S. subsidiaries have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the year-end; fixed assets, depreciation and depletion provisions on the basis of rates prevailing at dates of acquisition and income and expenses (other than depreciation and depletion) at average rates during the year. Exchange gains or losses resulting from such translation practices, which to date have not been material, are reflected in the Consolidated Statement of Operations.

#### (c) Concentrates, bullion and metals —

Consistent with industry practice, the company records as revenue the value of production of concentrates, bullion, and metals awaiting settlement, in transit and on hand at estimated net returns under sales contracts.

#### (d) Property, plant and equipment —

Additions to property, plant and equipment are recorded at cost and include previously deferred exploration and development expenditures on properties which have been brought into production.

Depreciation and depletion are provided at rates designed to write-off the costs over their estimated useful lives, which, in the case of property, plant and equipment of the Blue Hill Joint Venture have been determined on units of production based on estimated reserves. In 1973 and prior years, substantially all other fixed assets were depreciated at various rates on a declining balance basis. In 1974, the company adopted the basis of depreciating the remaining undepreciated cost of these assets in equal annual amounts over their estimated remaining useful lives. This change in basis had the effect of reducing 1974 depreciation by \$105,000 and increasing 1974 consolidated net income after tax by approximately \$74,000.

#### (e) Exploration expenditures —

Exploration expenditures are charged against current earnings unless they relate to interests in properties where the

reserves have the potential of being economically recoverable, in which case the expenditures are deferred. Upon disposal or abandonment of such interests, the net gain or loss is reflected in the consolidated statement of operations. If the properties are brought into production, deferred exploration expenditures relating thereto are reclassified with property, plant and equipment and amortized as explained in note 1(d).

#### (f) Income taxes —

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income (relating primarily to exploration and development expenditures claimed for tax purposes in excess of amounts written off in the accounts) result in deferred taxes.

### 2. Investments in other mining companies

These investments represent shares of other mining companies which are being held on a relatively long-term basis. Such investments, which were carried at cost of \$30,722,436 at December 31, 1974 and \$30,533,256 at December 31, 1973, had quoted market values of approximately \$54,278,000 at December 31, 1974 and \$93,945,000 at December 31, 1973 (computed by pricing the individual holdings at the closing market quotations). Included in this category are 1,600,000 shares of Noranda Mines Limited, carried at a cost of \$21,727,200 at December 31, 1974 and 1973, which had a quoted market value of \$45,400,000 at December 31, 1974 and \$80,400,000 at December 31, 1973. The market values of these investments do not necessarily represent the value of these holdings, which may be more or less than indicated by market quotations.

### 3. Agnew Lake

- (a) In 1971, development of the Agnew Lake property was suspended because of prevailing low prices in the world uranium market. The company is confident that future demands for uranium resulting from increased requirements for nuclear power generation will permit the Agnew Lake property to operate profitably. Until 1974, the property was being held on a care and maintenance basis. During the year, the company embarked on a pilot programme at an estimated cost of \$3,000,000 to study the feasibility of recovering uranium from the property by solution extraction techniques. Costs incurred to date, including \$984,388 on the pilot programme, amount to \$6,252,146 for expenditures on property, plant and equipment and \$10,457,591 for exploration, development and other expenditures, all of which have been deferred.
- (b) On December 23, 1974, the company acquired an additional 10% share interest in Agnew Lake Mines Limited from a previous owner for cash of \$500,000 (increasing the company's equity interest to 90%).

# Notes to Consolidated Financial Statements

December 31, 1974

(continued)

## 4. Long-term debt

Long-term debt represents the minority interests' share of Agnew Lake Mines Limited 7% debentures due December 31, 1982 plus accrued interest of \$840,000 in 1974 and \$630,000 in 1973. Payment of interest accruing on these debentures has been deferred for six years from January 1, 1971.

## 5. Share capital

### (a) Authorized —

In accordance with Amendment of Articles effective September 9, 1974, the authorized share capital of the company was altered from 12,500,000 shares of no par value to:

11,500,000 Class A shares without par value
999,000 Class B shares without par value
1,000 common shares without par value

The Class A and Class B shares are interchangeable one to another and participate equally with the common shares as to dividends and in all other respects. The only distinction is that for Class B shares, the directors may provide for the payment, in whole or in part, of a cash dividend out of tax-paid undistributed income on hand or out of 1971 capital surplus on hand (as defined in the Income Tax Act).

### (b) Issued and outstanding —

As a result of the aforementioned amendment to the authorized share capital of the company, the 9,535,449 common shares previously outstanding were altered such that the issued share capital at December 31, 1974 was as follows:

	Shares
Class A	9,125,803
Class B	409,646
	<u>9,535,449</u>

### (c) Dividends —

During the year, the following dividends were declared:

To September 9, 1974 —

Common shares (\$.30 per share)	\$2,860,634
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After September 9, 1974 —

Class A shares (\$.40 per share)	3,672,232
Class B shares (\$.40 per share)	141,948
	<u>\$6,674,814</u>

### (d) Share options —

In February 1974, 500 common shares were issued under the company's stock option plan for \$4,070 cash. Employees' options were outstanding at December 31, 1974 covering a total of 20,000 Class A shares of which 11,000 shares are exercisable at a price of \$13.30 per share to July 23, 1979, 5,000 shares are exercisable at a price of \$8.14 per share up to July 21, 1981, and the balance of 4,000 shares are exercisable at a price of \$13.42 per share up to April 19, 1984.

## 6. Fernandez Joint Venture

In 1973, the company negotiated an agreement to transfer its interest in certain properties containing the major part of its uranium reserves in the Fernandez Joint Venture to another party in exchange for a royalty agreement which contained provision for an initial advance royalty payment. At December 31, 1973, certain conditions of the agreement had not been resolved, as a result of which the amount of the royalty payment and the costs assignable thereto were not then determinable and no portion of the gain on the transaction was reflected in the 1973 accounts. In 1974, the conditions which previously prevented the determination of the gain were resolved and, accordingly, the net gain (representing the amount of the advance royalty payment received less deferred exploration expenditures and other costs and taxes relating thereto) has been recorded as income in 1974.

## 7. Remuneration of directors and senior officers

Total direct remuneration paid by the company and its subsidiaries to directors and to senior officers during the year ended December 31, 1974 amounted to \$284,700 (\$249,500 in 1973).

## 8. Reclassification of accounts

Certain of the 1973 accounts have been reclassified to conform with the presentation adopted in 1974.



